



RESPONDING TO YEMEN'S FOOD SECURITY CRISIS

INSIGHTS AND PERSPECTIVES
FROM THE PRIVATE SECTOR

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List of abbreviations, acronyms, and initialisations

ACAPS	Assessment Capacities Project
EHOC	Evacuation and Humanitarian Operations Cell
FAO	Food and Agriculture Organization of the United Nations
FEWS Net	Famine Early Warning Systems Network
FMO	Dutch Entrepreneurial Development Bank
FSAC	Food Security and Agriculture Cluster
HDP	Humanitarian Development Programme
HSA	Hayel Saeed Anam Group - Yemen region
HSACF	Hayel Saeed Anam Charitable Foundation
IFC	International Finance Corporation
IICY	International Initiative on COVID-19 in Yemen
IPC	Integrated Food Security Phase Classification
IRG	Internationally Recognised Government
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
ODI	Overseas Development Institute
UN	United Nations
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNVIM	United Nations Verification and Inspection Mechanism
WFP	World Food Programme
WHO	World Health Organization

1. Foreword



Abdul Gabbar Hayel Saeed Anam
GROUP CHAIRMAN AND CEO

Yemen is facing a food security crisis on a scale not seen in our lifetime. At the time of writing, millions of Yemenis are on the brink of famine. Many do not know where their next meal will come from; many more do not have the means and economic security to provide for their families and ensure that they will not suffer from malnutrition.

The lived experience of this trauma, which so many face on a daily basis, is the result of deeper, residual, decades-long issues that undermine Yemen's food security, which have been exacerbated and ingrained during the course of seven turbulent years of conflict in Yemen. The economic challenges that condition food insecurity in Yemen are vast; the societal impacts are deeply troubling. It is self-evident that the time for action that effectively and resolutely addresses the current crisis is overdue.

As a Yemeni family business that has operated in the country for 85 years, HSA Group has seen the humanitarian crisis unfold first-hand. In line with our values, we have consistently stepped up and responded by mobilising our own expertise and resources in times of need for Yemen's communities.

Yet we don't always act alone. We have always believed in the power of partnership. Our engagement with other like-minded organisations – including international organisations, private sector partners, and domestic NGOs – on a range of projects, which include addressing Yemen's food security, improving public health, and repairing damaged infrastructure, has proven not only that the pooling of expertise and resources is by far and away the most effective means of tackling Yemen's unique challenges. It has also demonstrated that businesses across Yemen are the missing piece of the puzzle.

Beyond importing, producing and distributing critical foodstuffs that millions across Yemen rely on every day, it is clear that Yemen's private sector has a central role to play in ensuring that the country is able to forge a more sustainable path to prosperity; a path that does not see millions starving, but sees individuals who are self-sufficient, economically independent and able to cater for the needs of their families. This is a pathway underpinned by the necessary infrastructure, capabilities, capacity, and efficient economic ecosystems that enable Yemen to emerge from the current time of strife with a resilience that will unlock the possibility for growth and the potential of its people.

To achieve this, a change in approach is needed. Temporary and short-term solutions derived from well-intentioned crisis management strategies have failed to halt the country's descent into economic and humanitarian crisis. One of the largest humanitarian operations ever undertaken has kept many alive, but Yemeni communities are unable to depend on aid that often falls victim to funding cuts. Meanwhile, economic resilience and domestic markets have been shattered by loss of income and purchasing power, and barriers to recovery have become entrenched.

But we believe that these barriers are by no means insurmountable. At HSA Group, we strive to push the boundaries of possibility by overcoming obstacles, adapting to new situations, and finding innovative ways to serve the people of Yemen. We therefore believe that bold collective action is needed to overcome the immediate crisis.

It is in this spirit that we have produced this white paper, with the aim of contributing to policy discussions with the international community and our peers that seek solutions to Yemen's food security challenges and the broader, structural issues that currently impede the achievement of development milestones in our home market.

In articulating our perspectives on the complex issues facing Yemen, outlining our own experience of working to respond to the needs of local communities, and providing recommendations on the way forward, it is our hope that this white paper may serve as a useful resource to help support the invaluable work that our peers and international colleagues are undertaking to find solutions to present challenges.

HSA Group is committed to contributing impactfully and meaningfully to the development of our home market, in line with our newly launched Economic Development Initiative, which aims to find long-term sustainable solutions to the country's most pressing issues and guides our work with all stakeholders to bring about prosperity and hope for the communities we serve in our beloved Yemen.

A handwritten signature in black ink that reads "AG Saeed".

Abdul Gabbar Hayel Saeed Anam



2. Executive summary

Yemen stands at a critical inflection point in its history. The country remains the world's worst humanitarian crisis and it is now experiencing a food security crisis on an unprecedented scale.

This crisis results principally from Yemen's vulnerability to external shocks in the context of high dependence on imported food, a decrease in domestic purchasing power fuelled by significant depreciation of the Yemeni rial, long-term underinvestment in domestic production, and the limitations of the humanitarian aid operation, all of which have been exacerbated by the ongoing conflict.

The impacts on vulnerable communities across Yemen are stark. 17 million people – or 53% of the country's population – are estimated to be suffering from food insecurity.¹ Approximately 2.2 million children under the age of five in Yemen are

projected to suffer from acute malnutrition.² Around 1.3 million pregnant and lactating women are projected to suffer from acute malnutrition over the course of 2022.³

Within this context, HSA Group has engaged in a wide range of initiatives through its core offerings and its philanthropic work designed to tackle the food security crisis in Yemen. These include: improving access to, and availability of, food through nationwide direct food distribution programmes; fortifying staple products with vitamins and minerals; investing in packaging innovation to ensure that the essential goods that it manufactures and distributes across Yemen can be transported and stored effectively, and are adapted to the changing needs of consumers; investing in logistical and transport networks; partnering with international and local organisations to tackle challenges faced by Yemeni

communities; and activating advocacy campaigns for solutions that seek to ensure a steady flow of wheat to Yemen, in the midst of the global commodity crisis emanating from the conflict in Ukraine.

As part of its commitment to serving and supporting communities in its home market, HSA Group has developed this white paper, designed to share our insights with peers and to help support international policymakers to not only respond to immediate challenges, but also devise longer-term solutions that overcome structural and systemic barriers to food security and economic growth in Yemen.

In this paper,

HSA Group therefore examines:

- The primary issues that currently generate food insecurity in Yemen, mapped against the FAO's dimensions of food security model – spanning availability, access, utilisation, stability, sustainability and agency.
- The role of Yemen's private sector in responding to these dynamics and the impact that this response brings about for the benefit of communities and the country's economy.
- The challenges that Yemen's private sector faces as it seeks to tackle food insecurity and create conditions for growth in the market.

This review is supported by an exposition of our own experience in delivering operational and philanthropic activities designed to respond to food security challenges in Yemen, independently and in partnership with others.

Brought together, these components inform recommendations and proposals that seek to help frame the approach that humanitarian organisations adopt with respect to Yemen's food security crisis; and the way in which long-term solutions to the crisis should be devised.

These recommendations are guided by three core principles:

1. Harness the power of partnership: Multistakeholder partnerships, such as those engaged in by HSA Group, have proven to be effective in tackling complex issues in fragile states such as Yemen. By creating partnerships that guide the efforts of local organisations and the international community, development and humanitarian programmes can maximise the impact of the interventions. In particular, there is an opportunity for stakeholders to work with Yemen's private sector to improve all dimensions of the country's food security.

2. Adopt a long-term approach to Yemen's food security and development: While humanitarian operations remain essential to meet the short-term needs of Yemen's communities, the approach to improving food security must seek to eliminate the uncertainty of annual funding and establish long-term programmes that can both increase food security and achieve Yemen's developmental goals. Such initiatives must go beyond food distribution programmes to include economic empowerment, private sector development and direct investment to support domestic food production capabilities, including household production, smallholder agriculture and large-scale commercial production.

3. Enable a shift from aid to trade: Yemen's current reliance on humanitarian food aid is unsustainable. While Yemen's private sector has proven its resilience in spite of years of sustained crisis, deep structural challenges that restrict trade, investment and domestic production are holding back economic growth and job creation. The solution to Yemen's food security crisis does not reside solely in a humanitarian response strategy. Instead, a long-term strategy that addresses these structural challenges by stimulating the local economy, enabling inward investment and providing Yemeni businesses with reliable and equitable access to finance and international markets, will prove the game-changer that Yemen so sorely requires.



Framed within the context of these principles, HSA Group has devised a series of recommendations that aim to support work that is already being undertaken by policymakers. These recommendations, which are set out in further detail within this document, fall into four categories of action and offer mechanisms and policy solutions designed to improve Yemen's food security:

Providing immediate support to the most vulnerable by harnessing established private sector networks and funding direct support mechanisms, such as cash programmes and safety nets, to ensure that the reach and impact of humanitarian relief is informed by local expertise and tailored to the needs of food insecure communities.

Building resilience to local challenges and global shocks by creating import financing mechanisms that support Yemeni efforts to bring about economic reform and prioritise economic empowerment and domestic production in development initiatives, increasing the purchasing power of Yemeni communities and enhancing Yemen's ability to navigate volatility in global supply chains.

Leveraging in-country strengths through a partnership-led model that invites broad stakeholder participation in tailoring humanitarian and development programmes in order to maximise and sustain their impact. This particularly includes engaging International and Development Finance Institutions to promote investment in innovation, boost infrastructure development and increase support for smallholder farmers, alongside agriculture and domestic food production.

Focusing on long-term solutions to facilitate a shift from aid to trade and pave the way for long-term economic recovery through collective action that focuses on addressing structural issues and stimulating corporates and SMEs growth to improve agency and economic access.

In articulating perspectives on the issues that Yemen faces, setting out the actions that the Group and its partners are undertaking, and providing input to support the development of the long-term strategies that Yemen requires, HSA Group hopes that this white paper will serve as a helpful contribution to the multistakeholder efforts underway to halt the progression of the world's worst humanitarian crisis.

HSA Group looks forward to continuing its collaboration with policymakers, humanitarian organisations and the domestic and international private sector actors, in line with its commitment to unlocking the power of partnership; and with an ultimate ambition to honour and help realise the courage, resilience and potential of the Yemeni people.



53%

of Yemen's population is estimated to be suffering from food insecurity, equivalent to 17 million people

2.2 million

children under the age of five in Yemen are projected to suffer from acute malnutrition in 2022

Around

1.3 million

pregnant and lactating women are also projected to suffer from acute malnutrition over the course of 2022

3. Introduction

Yemen is the world's worst humanitarian crisis, with over half of the population in dire need of humanitarian assistance and 17 million people – or 53% of the country's population – estimated to be suffering from food insecurity.⁴

Yemen food insecurity predates the current conflict, and has affected the country for decades, worsening over time. In 2002, around 20% of the population were food insecure, a figure which grew to 31.5% in 2009, and then 44.1% by 2011 (national survey data and WFP). However, the gradual decline has been aggravated by over seven years of conflict and ensuing fragility. This strife has only served to cripple the country's economy, undermine the fundamental infrastructure and delivery of public services required to ensure the proper functioning of civil society, disrupt the supply of essential goods and commodities, create a succession of major public health crises, and bring relentless precarity to the lives of Yemen's population.

The international community has responded with one of the largest aid operations ever seen, according to the UN's Inter Agency Standing Committee.⁵ These humanitarian programmes – which were feeding over 13.3 million people monthly at their peak – have been funded through billions of dollars of donations from the international community each year. Nonetheless, the challenges generated by the ongoing crisis have proven insurmountable for many Yemeni communities, due to a confluence of factors impacting Yemen that have persisted for decades – not least relating to food supply. Many of these factors emerged as Yemen's economy became increasingly open to international trade. As a result, domestic production of staple crops was deprioritised in favour of water-heavy cash crops, and alternative opportunities for revenues, such as oil or remittances, began to overshadow the need to support and maintain domestic food security.⁶

Consequently, imports of wheat, Yemen's key staple commodity, have increased steadily over the years (almost trebling between 1995 and 2010),⁷ as domestic production has waned. Today, Yemen imports 90% of its food, with the majority share procured by the private sector. The remainder is largely accounted for by humanitarian agencies, which were directly responsible for one sixth of food imports into Yemen in 2020, not considering food imported by Yemeni companies that was later purchased by the same agencies.⁸

The subsequent impact of recent shocks and

continued instability on Yemen's food security in particular has been stark. Food security has deteriorated significantly since the conflict began, reaching near famine levels in 2018. According to the latest Integrated Food Security Phase Classification (IPC) data,⁹ approximately 2.2 million children under the age of five in Yemen are projected to suffer from acute malnutrition in 2022. Around 1.3 million pregnant and lactating women are also projected to suffer from acute malnutrition over the course of 2022.

The international humanitarian aid operation has sought to prevent famine and reduce the rapid spread of malnutrition across Yemen. While this has brought relief to millions of Yemenis, it does not present a long-term solution to the systemic issues affecting Yemen's food systems. Critically, even this short-term palliative approach is at risk, with increasing funding cuts and donor fatigue in evidence.¹⁰

Yemen's over-dependence on humanitarian aid, its weak economy and limited purchasing power for consumers and businesses – combined with its vulnerability to global food price shocks – has brought the country to the precipice of famine, with the potential for yet further human tragedy now critically high.

Operating for over 85 years in Yemen, HSA Group – the country's largest private company and leading food importer – has gained a deep understanding of the market and the communities it serves. This has been achieved not only through HSA Group's commercial operations but also through its extensive and wide-ranging charitable initiatives, which have been implemented across the length and breadth of the country.

In response to the worsening humanitarian crisis in Yemen, HSA Group has taken action, both independently and in partnership with others, in an effort to support Yemeni communities. This has included initiatives and campaigns that: provide direct support to the most vulnerable; ensure operational resilience to deliver foodstuffs to end consumers; respond to the impact of the COVID-19 pandemic in Yemen; and call for policy action to enable sufficient essential food commodities to reach the country, within the context of the global wheat supply crisis that has emerged from the conflict in Ukraine. HSA Group was also the first private sector actor to provide financial support to the UN's efforts to avert a humanitarian, economic and ecological disaster in the Red Sea, emanating from a

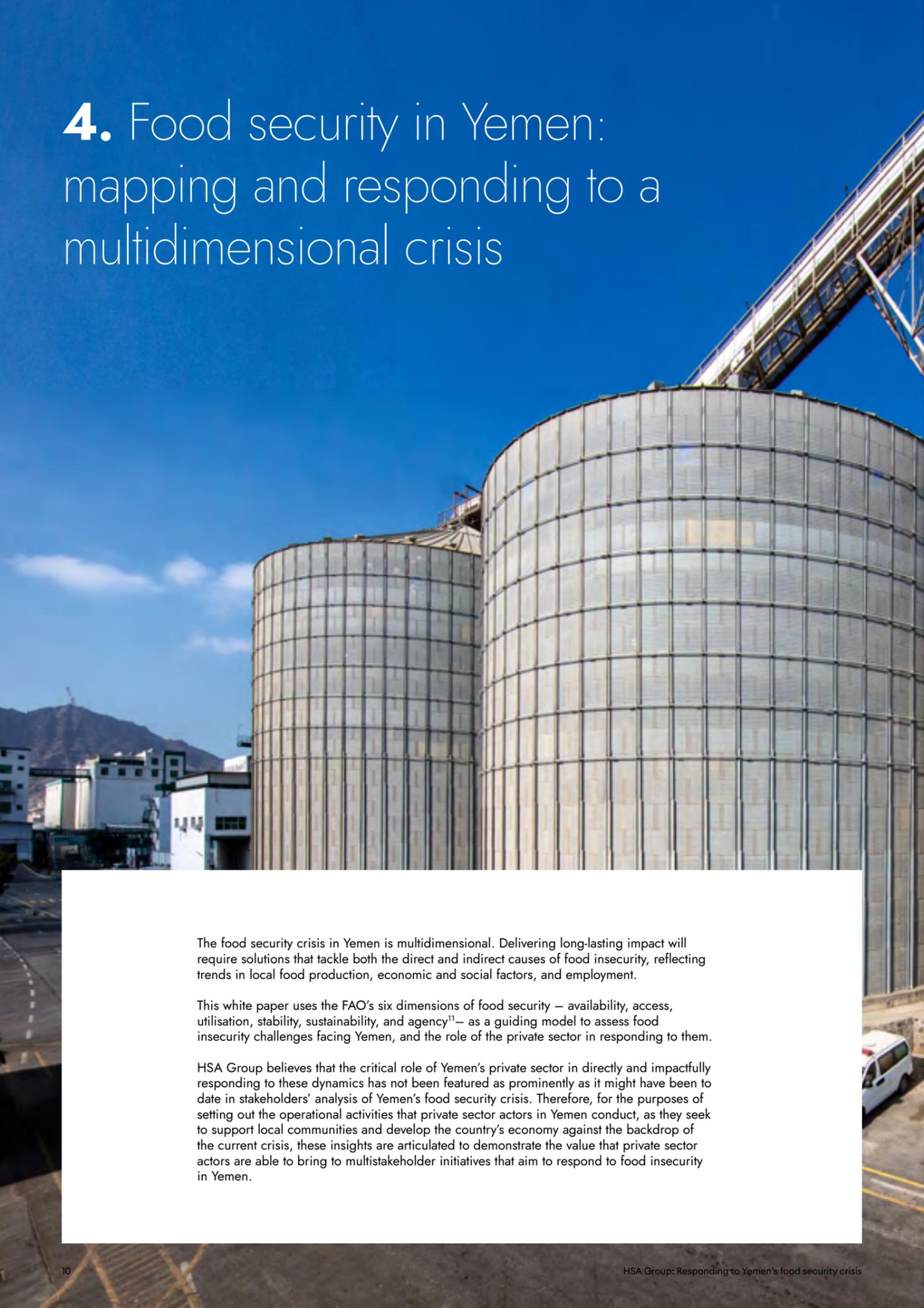
potential oil spill from FSO SAFER, which would have disastrous impacts on Yemen's food security and long-term recovery. The impetus behind this latest series of interventions stems from a deep belief in responsible capitalism and prioritising longer-term returns, which in turn drive sustainable growth especially in the context of instability and conflict. Furthermore, the interventions build on a well-established legacy of philanthropic activity conducted by HSA Group, which has been integral to the development of the company since its inception in 1938.

As part of its wider efforts to respond to immediate challenges, and help shape the conditions that will create resilience at the core of Yemen's economic and social fabric, HSA Group has conducted a review of the issues that undermine the country's food security. This review has identified a number of key challenges that not only impact Yemen's population, but directly hinder the ability of the private sector to respond to the current food security crisis. The review draws on HSA Group's direct experience operating in Yemen; it also builds on the company's track record of collaborating with international organisations and other private sector partners to deliver programmes that respond to crisis situations impacting Yemen's communities, and ongoing challenges affecting the health and economic wellbeing of Yemen's population.

The content of this paper does not seek to replicate the important work that has already been conducted by many international organisations, academic institutions, think tanks and NGOs in analysing the conditions governing Yemen's food security. Instead, it provides reflections and proposals from the perspective of Yemen's private sector. The insights, case studies and recommendations set out in this paper are designed to help pragmatically support policymakers, private sector actors, development professionals and other members of the international community in their efforts to help Yemen emerge from the present troubling period in its history.

It is our hope that, in providing these perspectives, further discussion and collaboration between the public, private and third sectors designed to tackle Yemen's immediate and systemic challenges can take place, which will help inform policymaking and programmes to bring about a brighter future for Yemen and its people.

4. Food security in Yemen: mapping and responding to a multidimensional crisis



The food security crisis in Yemen is multidimensional. Delivering long-lasting impact will require solutions that tackle both the direct and indirect causes of food insecurity, reflecting trends in local food production, economic and social factors, and employment.

This white paper uses the FAO's six dimensions of food security — availability, access, utilisation, stability, sustainability, and agency¹¹— as a guiding model to assess food insecurity challenges facing Yemen, and the role of the private sector in responding to them.

HSA Group believes that the critical role of Yemen's private sector in directly and impactfully responding to these dynamics has not been featured as prominently as it might have been to date in stakeholders' analysis of Yemen's food security crisis. Therefore, for the purposes of setting out the operational activities that private sector actors in Yemen conduct, as they seek to support local communities and develop the country's economy against the backdrop of the current crisis, these insights are articulated to demonstrate the value that private sector actors are able to bring to multistakeholder initiatives that aim to respond to food insecurity in Yemen.

4. Food security in Yemen: mapping and responding to a multidimensional crisis

FAO dimensions¹² of food security

Availability	
Whether food is actually or potentially physically present, including aspects of production, food reserves, markets and transportation, and wild foods.	
High-level application to Yemen <ul style="list-style-type: none"> Yemen's food production capabilities are severely limited. The amount of land cultivated with cereal crops has dropped by 50% in conflict-affected governorates since 2015, while some land previously used for growing food has been repurposed for more profitable crops, such as qat.¹³ Imports of wheat, Yemen's key staple commodity, have increased steadily over the years (almost trebling between 1995 and 2010), as domestic production has waned.¹⁴ As a result, the country imports over 90% of its food, leading to high vulnerability to global food supply chain shocks and foreign currency shortages. Furthermore, Yemeni food importers and producers are unable to store significant quantities of key staples, such as wheat, due to infrastructure limitations in Yemen's ports and the country's limited storage capacity — only 20% of annual grain consumption can be stored at any given time.¹⁵ Damage to transport infrastructure during the course of the conflict, and the lack of investment in upkeep, has created challenges for the distribution of essential food supplies across the country, in particular to remote communities and villages where many rely on small scale retailers. Continued funding shortages have led humanitarian agencies, such as the World Food Programme (WFP), to reduce food rations further, as of June 2022.¹⁶ 	The private sector's role and response <ul style="list-style-type: none"> The private sector is responsible for procuring a significant proportion of the food that Yemen imports, amongst which staple grains like wheat account for 71% of calorie intake for poorer households.¹⁷ In 2020, the private sector is estimated to have imported approximately 85% of the 6.1 million tonnes of food reaching Yemen, with the remaining 0.9 tonnes imported by humanitarian agencies, which remain reliant on the private sector to store, distribute or mill wheat.¹⁸ Households in both urban and rural areas purchase the majority of their food directly from the private sector, relying on thousands of food wholesalers and retailers.
Access	
Whether food is actually or potentially physically present, the next question is whether or not households and individuals have sufficient physical and economic access to that food.	
High-level application to Yemen <ul style="list-style-type: none"> Yemen's economy has suffered significantly as a result of the ongoing conflict, with the country's GDP contracting by 40% since 2014.¹⁹ The national currency, the Yemeni rial, has lost 80% of its value against the US dollar since January 2015, varying on a region-by-region basis.²⁰ Analysis conducted by the WFP and World Bank suggests that food access significantly declines as food prices rise.²¹ While global food prices and import costs, such as shipping, logistics and insurance, have pushed retail prices up, fewer jobs have been available and public sector wages have stagnated — or, in many cases, have not been paid at all. This has led to significantly reduced purchasing power, therefore reducing access to food amongst the local population. For many households, and lower income families in particular, food is the highest expenditure category. With household budgets under pressure, many Yemenis deploy coping strategies, such as only purchasing basic must-have items, switching to loose products instead of larger pre-packaged items, substituting nutritious items, such as protein, with bulkier lower value products, or even skipping meals. Around 70% of Yemen's economy is informal, and most Yemenis rely on remittances and aid inflows to fund basic goods such as food. A lack of reliable household incomes significantly limits the ability of the country's population to access affordable, quality food on a daily basis.²² Combined with the stagnation of wages and increasing cost of living, currency weakness and inflation hinder access to food for many Yemenis. Yemen's physical infrastructure has sustained damage over seven years of conflict. Combined with threats to security and high fuel costs, this restricts Yemenis' access to food, limiting communities' physical access to markets, particularly those who live in remote or hard-to-reach communities. It also compromises their ability to receive steady incomes, due to difficulties in travelling to places of work and major settlements. Limited local wheat and cereal production and high reliance on imported food often disrupts steady access to key staples and adequate nutrition. 	The private sector's role and response <ul style="list-style-type: none"> The Yemeni private sector plays a critical role in providing access to food, either as the leading employer in the country, or through its operations and direct philanthropy. Prior to the conflict, the private sector accounted for half of the country's GDP and serves as an employer to 70% of Yemen's population.²³ With almost 30% of the nation's transport links damaged, the World Bank estimates that the reconstruction of physical infrastructure and restoration of service delivery will require between US\$20 – US\$25 billion investment.²⁴ In response, the private sector has been instrumental in rebuilding key transport links across the country and navigating complex logistical challenges to maintain the flow of goods and services. Yemen's depreciating currency has also significantly reduced consumers' purchasing power. The private sector addresses this phenomenon by providing employment and training opportunities to generate income for vulnerable communities and improve economic access across the population. With many Yemeni households struggling to pay for basic necessities, they often rely on small merchants to extend credit to fund their weekly and monthly grocery shopping. With many humanitarian programmes having been scaled back due to funding cuts, the private sector has played a critical role in providing financial donations to communities and distributing aid across Yemen. In particular, the private sector uses its logistical capabilities to support the most vulnerable through targeted programmes such as delivering food baskets across Yemen.

4. Food security in Yemen: mapping and responding to a multidimensional crisis

<h2 style="margin: 0;">Utilisation</h2> <p style="font-size: 0.8em; margin: 0;">Whether food is available and households have adequate access to it, the next question is whether or not households are maximising the consumption of adequate nutrition and energy. Sufficient energy and nutrient intake by individuals is the result of good care and feeding practices, food preparation, dietary diversity and intra-household distribution of food, clean water, sanitation and healthcare. Combined with good biological utilisation of food consumed, this determines the nutritional status of individuals.</p>	
<h3>High-level application to Yemen</h3> <ul style="list-style-type: none"> With supplies of food restricted, and many families unable to afford higher prices of staple goods such as flour and rice, access to nutritious food has become ever more important in Yemen to cover gaps in the population's diet. In order to reduce purchasing frequency, many Yemenis seek to maximise the use of products, such as re-using oil for deep-frying for longer periods, exposing themselves to health risks. Many of Yemen's Water, Sanitation and Hygiene (WASH) facilities have also been compromised over the course of the conflict with 17.8 million people requiring support to meet their basic water and sanitation needs.²⁵ This has limited the ability of households to prepare food and access safe drinking water. Many children are deprived of a healthy diet which leads to a widespread malnutrition. In 2022, over half a million (538,000) children are set to face life threatening severe acute malnutrition.²⁶ With around 1.3 million pregnant and lactating women projected to suffer from acute malnutrition over the course of 2022, limited access to quality ante- and post-natal health services leads to low new-born and maternal survival rates.²⁷ In addition to malnutrition, child development is undermined by the threat of many communicable diseases, limited access to routine immunisation and health services, poor infant and young child feeding practices, and inadequate sanitation and hygiene systems. Electricity cuts and strict usage hours affect Yemenis, preventing efficient refrigeration of food. These cuts can contribute to dietary changes that may affect nutritional intake, such as prioritising foods that are quick to cook and will not spoil easily. 	<h3>Private sector's role and response</h3> <ul style="list-style-type: none"> The Yemeni private sector is the primary importer of wheat, which is the cheapest and by far the most available source of calories for Yemen's population. Private sector food manufacturers operating in Yemen, such as HSA Group, fortify their products with vitamins and minerals, boosting the nutritional content of foodstuffs to increase their health benefits. In doing so, the private sector helps Yemeni households to maximise the consumption of adequate nutrition and energy. The WFP relies on the private sector to produce fortified products that are then distributed through the Programme's humanitarian operation. Yemeni importers are critical to sustaining the population's calorie intake, as domestic food production is geared towards high water content, and relatively low-calorie, food groups such as fruit and vegetables.

<h2 style="margin: 0;">Stability</h2> <p style="font-size: 0.8em; margin: 0;">Whether the dimensions of availability, access and utilisation are sufficiently met, stability is the condition in which the whole system is stable, thus ensuring that households are food secure at all times. Stability issues can refer to short-term instability (which can lead to acute food insecurity) or medium- to long-term instability (which can lead to chronic food insecurity). Climatic, economic, social and political factors can all be a source of instability.</p>	
<h3>High-level application to Yemen</h3> <ul style="list-style-type: none"> Conflict, internal displacement and geopolitical tensions have all affected the stability of food production and distribution in Yemen. The volume of food imports has fluctuated since the conflict began,²⁸ falling by 9% in 2020 year-on-year and subsequently rebounding in 2021 by 17%.²⁹ Unpredictability in Yemen's food imports complicates planning and undermines the delivery of consistent levels of food to vulnerable communities. Aid flows to Yemen also fluctuate in line with donor contributions. Funding of the humanitarian operation is often constrained by annual cycles and uncertainty.³⁰ Limited port infrastructure, fast changing customs arrangements and damaged distribution networks increase the instability of food supply chains. Localised fuel price increases, import blockages, and Yemen's dual currency system have caused uneven purchasing power within the country, reducing consumers' access to already limited food stocks. In recent years, Yemen has faced a number of natural disasters such as flooding and widespread disease outbreaks, which have further exacerbated the country's food security crisis due to reduced yields from domestic agriculture production. 	<h3>The private sector's role and response</h3> <ul style="list-style-type: none"> Yemen's private sector has been the backbone of the Yemeni economy since the conflict began in 2015. Despite the economic and logistical disruption and operational uncertainty that the conflict has brought about, 75% of businesses that were operational prior to the conflict are still providing goods and services to the population.³¹ Reduced functionality in many sectors that support the country's food systems reflects not just physical damage to critical infrastructure, but also factors such as institutional capacity, staffing and payment of salaries and access to electricity. The private sector continues to invest in maintaining and improving the functionality of key services and human capital. The volatility of local food prices – driven by unstable exchange rates and global shocks – is harmful to private sector operations at all levels and pushes smaller market players to panic. Some of these may resort to unnecessary stocking up and hedging against future price increases, which further exaggerates local prices. Larger importers, such as HSA, have responded by conducting direct selling to end-consumers to ensure that real-time prices are reflected and consumers are protected.

4. Food security in Yemen: mapping and responding to a multidimensional crisis

<h2 style="margin: 0;">Sustainability</h2> <p style="font-size: 0.8em; margin: 0;">Refers to the long-term ability of food systems to provide food security and nutrition in a way that does not compromise the economic, social, and environmental bases that generate food security and nutrition for future generations.</p>	
<h3>High-level application to Yemen</h3> <ul style="list-style-type: none"> Yemen is an arid country with no permanent watercourses. Most of the country's soil is low in organic matter, which limits agricultural options.³² Yemen is also highly exposed to climate change impacts, which exacerbate the country's food security vulnerabilities. Due to ongoing multiple crises, Yemen has very limited capacity to respond to the impacts of climate change. Desertification, drought and water stress are expected to increase annually by 3 to 5% and affect agricultural and food production and the overall availability of arable land.³³ The conflict has affected the limited soil upkeep and enrichment that had been taking place before 2015, which has further reduced the potential to generate food supplies through a domestic agriculture system.³⁴ Limited access to water, energy and agricultural supplies also impacts the potential of smallholder farmers to maintain crops and animals. Households frequently pursue coping strategies in crisis settings caused by significant and sudden spikes in food prices, such as spending savings, selling assets, or borrowing money, which reduces their long-term ability to access nutritious food and delays spending in other dimensions to purchase food. 	<h3>The private sector's role and response</h3> <ul style="list-style-type: none"> Despite the conflict, the private sector continues to invest in alternative energy sources, such as solar power systems, for households and businesses, and water infrastructure including solar-powered water pump systems for irrigation, thus enabling food production to continue.³⁵ The private sector contributes to the sustainable development of Yemen through employment opportunities and the income it provides to the local population, enabling households to provide for themselves in the long-term.

<h2 style="margin: 0;">Agency</h2> <p style="font-size: 0.8em; margin: 0;">Refers to the capacity of individuals or groups to make their own decisions about what foods they eat; what foods they produce; how that food is produced, processed, and distributed within food systems; and their ability to engage in processes that shape food system policies and governance.</p>	
<h3>High-level application to Yemen</h3> <ul style="list-style-type: none"> A reliance on humanitarian aid for essential food items, and decreased purchasing power, has forced Yemeni households to reduce all non-essential purchases and consumption, affecting both food choice and nutritional intake. Access to technology and machinery in Yemen's agricultural system is often limited, causing farmers to lose vital crops and increasing dependence on imports. Lack of resilience to climate change and climate-related natural disasters – such as flooding and droughts – limits the growth potential of the local farming sector in Yemen. The economic constraints and frictions to investment caused by the ongoing conflict and instability limits the scope for innovation within the private sector, and reduces the incentive for new market entrants to develop and improve Yemen's food systems. The reduced purchasing power of many Yemenis forces families to buy lower cost foods and products (e.g. those almost expiring). This often has an impact on nutritional intake. In some cases, to overcome consumers' reduced purchasing power, retailers will remove goods from their original packaging and sell the products in smaller loose quantities. This can compromise food safety as the quality and expiry dates of products cannot be guaranteed. Reduced purchasing power also limits household production of food, which is an important provider for many families. If households are unable to secure necessary tools, seeds and other equipment, yields from household production are limited. 	<h3>The private sector's role and response</h3> <ul style="list-style-type: none"> With limited food produced locally for individual consumption, most households' consumption is determined by the food made available by private sector distributors and retailers. This is particularly apparent in rural and hard to reach areas where an entire community may rely on a singular shop, market or distribution network for their food intake.³⁶ Many humanitarian agencies purchase foodstuffs directly from the private sector to be distributed as aid, providing the local population with products that they might otherwise choose to purchase. The private sector is attuned to the challenges that the population faces, in particular as it relates to consumers' decreasing purchasing power, and adapts its product offerings accordingly to consumer demands. For example, many producers have reduced packaging sizes to ensure that households with limited funds are still able to purchase essential products. Similar adjustments have been made to packaging to increase shelf life and for ease of transportation. Given the critical role of food importers in Yemen's food security, the private sector is relied upon to navigate the global commodity markets and secure steady and sufficient supplies of essential commodities, such as wheat. This has become increasingly complex given recent volatility in global markets, due to the COVID-19 pandemic and the impact of the outbreak of the conflict in Ukraine on global food supply chains. The private sector is proactively engaging the international community and other stakeholders to develop a framework for collective action, leveraging its strengths to create a sustainable and inclusive food system in Yemen.

5. Barriers to impact: challenges facing Yemen's private sector that exacerbate food insecurity

Continued private sector activity is crucial to Yemen's economic development and food security. There are, however, a number of challenges that limit the ability of Yemen's business community to provide a steady and reliable supply of food at affordable prices.

These challenges leave organisations less able to contribute to the alleviation of Yemen's wider systemic issues, including the country's reliance on humanitarian aid, uncertain economic and employment environment, and underdeveloped or damaged national infrastructure. Addressing these challenges will increase the private sector's ability to respond impactfully to food security issues affecting the Yemeni population.



Financial isolation

Since the beginning of the conflict, the financial system in Yemen has deteriorated to an almost unworkable state.

- Many correspondent financial institutions have stopped transacting with local Yemeni banks to reduce their exposure to risk. As a result, it has become increasingly difficult for private sector organisations to open Letters of Credit or secure FX coverage with international banks. While local banks have been able to fulfil FX requirements to a certain degree, their limited capacity has been further stretched by recent increases in global food prices.
- International suppliers often require substantial advance payments from their Yemeni clients, contrary to the ordinary global trade terms, which puts Yemeni businesses' working capital under pressure from the overlong cash cycles that ensue.
- Due to an increasingly fractured and dysfunctional banking system, there has been a proliferation of non-formal transfer mechanisms, and under-regulated money-exchange companies. These entities are not sufficiently regulated and many do not adhere to international financial standards, introducing significant risk and uncertainty into the domestic financial system.³⁷

Fragmentation of monetary and fiscal policy

Yemeni businesses face numerous challenges in carrying out essential transactions or maintaining their operations.

- The fragmentation of the monetary policy, the depreciation of the Yemeni rial, and divergence of exchange rates across the country is a major source of economic disruption, especially affecting vulnerable communities. The depletion of Yemen's foreign currency reserves is also a major obstacle, though increased availability at Central Bank (Aden) auctions has improved the situation in recent months. Nevertheless, it is clear that any successful economic intervention in Yemen must seek to address the root causes of currency depreciation as well as implementing mitigation methods to stabilise food prices, such as import financing.
- Purchasing power (for both businesses and consumers) has deteriorated significantly in Yemen since the conflict began, due to a combination of the depreciation of the Yemeni rial, lack of access to foreign currency, halting of domestic hydrocarbon production, widespread loss of income due to the ongoing conflict and global price increases in key imported goods such as food and fuel.
- Complex taxation systems, along with the imposed fees at internal customs points and checkpoints increase the prices of imported goods. In particular, the existence of double taxation, where goods are taxed upon entry to Yemen and then again when crossing into different control areas, is a further financial burden on a private sector crippled by conflict and currency crisis.

Logistics and infrastructure

Arrangements needed to ensure the effective and reliable shipping and distribution of goods into and across the country are highly complex, increasing operating costs and making food supply difficult to reliably forecast.

- Yemen's existing port infrastructure limits the number of vessels that can be booked by humanitarian organisations or the private sector. Extensive security checks on incoming cargoes often cause delays in products being distributed onwards, creating disruption to food supply chains.
- While the mechanisms used to import goods to Yemen, including the UN Verification and Inspection mechanism (UNVIM) and Evacuation and Humanitarian Operations Cell (EHOC), have played an important role in facilitating essential imports, further solutions may still be required to ease operational burdens which continue to directly impact the whole food supply chain.
- Checkpoints, blockades and damaged transportation routes. Many major roads in Yemen are closed or no longer usable and cargo can take up to ten times as long to reach its destination, due to checkpoints and damaged transportation routes. This disruption generates unpredictability in supply chains, making it challenging for traders to plan ahead and manage inventory and warehousing space efficiently.
- The capacity of existing silos at Yemen's ports does not exceed 20% of Yemen's annual consumption requirements.³⁸ Therefore, the private sector cannot strategically stockpile to either benefit from a fall in global commodity prices or cushion against global supply shocks.

Operational uncertainty

While the truce agreed in April 2022 has partially improved the movement of fuel into the country, supply chain disruption as a result of continued instability on the ground remains a key challenge for domestic food suppliers. Such disruption is often cited by organisations (WFP, FAO, IPC, etc.) as a key driver of food insecurity in the country, impacting access to and availability of essential items across the country.

Barriers to investment

A lack of investment in Yemen hinders the potential positive impact of economic development initiatives on food security and the country's prospects for prosperity.

- In order to function effectively and attract investments with confidence, the private sector requires a predictable regulatory environment and a stable political situation. Commentators have noted that Foreign Direct Investment (FDI) inflows in Yemen had already fallen substantially in the period from 1990 to 2013, prior to the outbreak of the conflict. These commentators have suggested that this reduction in inward investment was due to ongoing political instability,³⁹ combined with what analysts have described as the perception of a 'regulatory vacuum'⁴⁰ amongst international investors.
- In addition, the limited engagement of Development Finance Institutions (DFIs) in Yemen, due to limited risk appetite,⁴¹

disincentivises international investors to consider Yemen as an investment location, restricting the ability of the private sector to address the country's infrastructure needs, create jobs and support economic development. Now, more than ever, there is a clear need for increased engagement from DFIs, through mechanisms such as blended finance or third-party guarantees, to support Yemen's development and stimulate economic recovery.



IMPACT OF EXTERNAL FACTORS: CONFLICT IN UKRAINE

Yemeni communities, private sector organisations and humanitarian agencies have learned to operate in extremely complex and unpredictable conditions, as a result of protracted precarity and instability. Yet they were unprepared for the additional disruptions and pressures on global food systems brought on by the outbreak of conflict in Ukraine in February 2022, which has served to aggravate Yemen's food security crisis and threatened to push hundreds of thousands of Yemenis into extreme hunger.

Prior to the Ukraine conflict, Yemen imported approximately 45% of its wheat from Russia and Ukraine.⁴² The loss of such a significant proportion of the country's source of wheat, combined with the subsequent drastic 21% increase in global wheat prices to a 14-year high,⁴³ served to exacerbate the effects of the world's worst humanitarian crisis.

Increases in global wheat prices contributed to the price of the Minimum Food Basket in Yemen rising by 25% (southern governorates) and 12% (northern governorates)⁴⁴ in January-March 2022 and Yemeni wheat prices reaching nearly 80% higher than the equivalent period in 2021 (March).⁴⁵

These increases largely emerged as a result of significant restrictions on grain supplies from Ukraine and Russia, leading to traders needing to seek alternative suppliers, particularly in Europe, where prices were considerably higher. Furthermore, high global prices of fuel contributed to the increasing costs of shipping and domestic logistics.

The economic impacts of the crisis have been particularly significant given that they were partially offset by a 34% appreciation of the rial in IRG areas, following the announcement of the truce in April 2022.⁴⁶

Since then, the Yemeni rial has depreciated to pre-truce levels, while global food prices remain 5.5% higher than a year ago.⁴⁷

In the coming months, FEWS Net predicts that import levels of staple grains such as wheat and vegetable oil will be lower in comparison to 2021 levels, due to the reduction of exports from Ukraine and ongoing high fertilizer and food commodity prices,⁴⁸ caused by uncertainty around the future of global supplies. These issues continue to pose a significant threat to Yemen's food security, which remains vulnerable to the external shocks of a global food system.⁴⁹

6. HSA Group: Responding to Yemen's food security crisis

For nearly 85 years, HSA Group has served the people of Yemen through both times of crisis and prosperity, driven by values that prize and reward compassion, care for others and a community-minded spirit.

Inspired by its family heritage, HSA Group is committed to maximising its positive impact and contribution to the communities it serves. For multiple generations, the Group has been guided by the philosophy of its founders: a belief in doing well by doing good.

This belief informs not only HSA Group's philanthropic activity – but also the Group's commercial strategy. Throughout its history, HSA Group's development has been characterised by a responsible and sustainable approach to growth, prioritising long-term investment over short-term returns; and, critically, retaining its commitment to its home market of Yemen, in spite of significant economic shocks and instability domestically. Drawing on this approach, through its commercial and operational activity, HSA Group has created economic opportunity and resilience within local communities across Yemen, which has in turn underpinned the organisation's ascent to become Yemen's largest company.

As a result of the philosophy that has driven the organisation's development, HSA Group has gained an unrivalled understanding of the Yemeni market and a trusted reputation amongst the population. At an operational level, the Group employs around 20,000 people across Yemen, plays a key role in local supply chains, and has an extensive distribution network that reaches the last mile in the most remote areas of the country.

HSA Group is seen as a crucial strategic partner to humanitarian organisations and multinationals operating in Yemen and is uniquely placed to help tackle the root causes and real-time impacts of food insecurity on communities across Yemen.

In support of domestic and international efforts to achieve food security in Yemen, HSA Group has established several initiatives to address both the direct and indirect causes of Yemen's food crisis.

These initiatives correspond with the FAO's six dimensions of food security (availability, access, utilisation, stability, sustainability, and agency), and inform HSA Group's approach to tackling food security through four categories of action that acknowledge the holistic nature of the way forward proposed in this paper.



A. Providing immediate support to the most vulnerable

The acute and urgent needs of communities in Yemen that have resulted from the food security crisis are addressed in part by the extensive humanitarian aid operation in the country. However, there are limits to the extent to which these programmes can sustain the required level of support due to the scale of the crisis, funding shortages and increasing costs. For instance, recent data from OCHA shows that the cost of the Minimum Food Basket (MFB) has increased by 74% since August 2021 in IRG areas,⁵⁰ placing further strain on humanitarian organisations.

In addition to the work of humanitarian agencies, the private sector plays an important role in taking direct action against hunger and food insecurity through philanthropic programmes, aid distribution and donations across the country. HSA Group in particular has taken extensive steps to support communities that cannot afford or gain access to sufficient food.

More than
1.5 billion
litres of clean water has been delivered by HSA Group

Over
5 million
beneficiaries reached by HSA Group in recent years

Over
800,000
food baskets have been donated by HSACF to local communities in recent years



IMPROVING ACCESS TO, AND AVAILABILITY OF FOOD: HAYEL SAEED ANAM CHARITY FOUNDATION

○ Availability ○ Access ○ Utilisation

The Hayel Saeed Anam Charity Foundation (HSACF), the charitable arm of HSA Group, was established in 1970 as a private philanthropic foundation in line with its commitment to supporting vulnerable Yemenis across Yemen and working towards a more prosperous future for them by responding to their short- and long-term needs.

Two ongoing projects conducted by HSACF centre on direct food distribution specifically. The first is an emergency food basket project, which has distributed over 800,000 food baskets to local communities over the past few years. The second has seen the delivery and distribution of over 40,000 loaves of bread per day in the governorates of Sana'a, Lahj and Taiz, supporting over 6,900 households. The initiative is specifically designed to support vulnerable groups such as widows, people with disabilities, divorced women and those with limited income.

In addition to HSA Group's direct food assistance, the organisation also provides other kinds of assistance to communities across the country. In recent years, HSA Group has reached over 2 million beneficiaries with cash assistance, over 3 million beneficiaries with non-food items and delivered more than 1.5 billion litres of clean water.

HSACF has ensured that these interventions provide maximum impact for vulnerable people by working closely with voluntary community committees and undertaking proprietary field research to identify those most affected by food insecurity, helping to improve both access to and availability of food, as well as mitigating the impact of other aspects of the ongoing humanitarian crisis.

Following the outbreak of conflict in Yemen, HSA Group also established the Humanitarian Development Project (HDP), a philanthropic initiative that directly responds to crises and offers emergency support to Yemeni communities. HDP works to build new partnerships with NGOs and UN agencies operating humanitarian and development programmes across Yemen. HDP's projects range from supporting displaced people, such as camps in Taiz, Mareb, Sana'a and other governorates, to rehabilitating water supply infrastructure in Taiz governorate.



In addition to its distribution of resources, HDP also serves to share knowledge and resources with other humanitarian and civil society organisations through its membership of the Food Security and Agriculture Cluster (FSAC). By collaborating with other members within the cluster, HDP works to tackle malnutrition and improve food security for Yemeni communities.

Leveraging HSA Group's broad reach in the Yemeni market and drawing on the organisation's long-standing relationships with communities in all parts of the country, HSACF has been able to effectively identify those most in need and distribute essential goods in a targeted manner, improving the availability and access dimensions of food security.



B. Building resilience to local challenges and global shocks

Yemen's high dependence on food imports makes the country immensely vulnerable to external shocks in the global commodity markets, which have the potential to directly impact the availability and affordability of essential foodstuffs on the ground.

This vulnerability was starkly demonstrated following the outbreak of conflict in Ukraine. During the first half of 2022, food imports into Yemen decreased by 10% compared to 2021 levels,⁵¹ while impacts to the global supply of, and demand for, wheat had severe consequences in the Yemeni market.

Due to Yemen's sensitivity to external shocks, domestic food prices are likely to remain volatile, creating long standing hardship and uncertainty for local communities that are already struggling. While the immediate impact of the wheat crisis arising from the conflict in Ukraine has relented and prices have largely

returned to early 2022 levels (at the time of writing), the World Bank and FAO have predicted that global food prices will continue to trend high into 2024.⁵²

Beyond the need to mitigate external risks, Yemen's domestic food systems are impacted by the country's fragile economy. The economic consequences of the COVID-19 pandemic, resulting from associated supply chain issues and subsequent reductions in foreign aid,⁵³ have impacted Yemen's already fragile economy and humanitarian situation. Since 2020, the Yemeni rial has lost half of its value against the US dollar in certain areas of the country,⁵⁴ severely affecting the purchasing power of both Yemeni consumers and importers. Furthermore, due to shortfalls in funding, major humanitarian actors, such as the WFP, have been forced to reduce their provision of monthly food aid to target those most in need.⁵⁵

To help enhance resilience of Yemen's food systems, HSA Group has undertaken initiatives which aim to ensure a steady supply of affordable food, while also innovating to tailor its products to changing consumer needs as a result of the humanitarian crisis.



ADVOCATING FOR INTERNATIONAL INTERVENTION TO FACILITATE FOOD IMPORTS TO YEMEN

○ Stability

Shortly after conflict broke out in Ukraine, it became clear that the ensuing disruption would have a profound impact on Yemen's wheat supply chain. The loss of such a significant proportion of the country's source of wheat, which is relied upon for communities that are already on the brink of famine, only exacerbated the effects of the world's worst humanitarian crisis.

In response to the emerging crisis, in May 2022, HSA Group initiated an advocacy campaign to highlight the issues preventing private sector importers from ensuring a steady supply of affordable food for Yemenis into the country - proposing policy solutions that would tackle the immediate challenges facing Yemeni communities.

The campaign was designed to raise awareness of Yemen's unique food security challenges amongst humanitarian, development finance and diplomatic communities, and to alert policy influencers of the impending wheat crisis and its impact on local communities. To address the immediate impact of global market

volatility on the fragile situation in Yemen, HSA Group called for dedicated mechanisms to support food imports, such as:

- Priority access to wheat supplies for communities at greatest risk of famine or extreme hunger so that international humanitarian programmes can remain functional.
- A special emergency fund and import financing programme specific to Yemen, which would enable the country's wheat importers to rapidly access finance and working capital to fund wheat purchases on the global market and imports into Yemen.
- A new scheme that formally extends payment terms between Yemeni food importers and their international suppliers, guaranteed by an international organisation or financial institution.

The campaign has served to raise awareness among decision-makers and the international community regarding the unique challenges facing Yemen in the wake of any significant disruption to global food supply chains.

INVESTING IN RESEARCH & DEVELOPMENT: PACKAGING INNOVATION

○ Availability

HSA Group's approach to packaging Research and Development (R&D) is to ensure quality and maximise efficiency for the consumer and manufacturer alike. To deliver on this objective, the Group considers technical improvements, convenience, affordability and waste, among other features, to improve consumer experience and product quality alike.

For example, in Yemen it was observed that retailers were breaking down bulk quantities of products to create smaller packaged items for sale to consumers who may not otherwise be able to afford or store larger quantities of food. However, this often led to compromises in the products' safety. To respond to consumer demands, HSA Group introduced several new sizes of packaging to maintain consistent quality, ensure product safety, and reduce wastage, which were then distributed to retailers for onward sale.

Furthermore, many HSA Group products travel long distances and usually through rough roads to reach their final destinations and are often exposed to harsh weather conditions in transit.

In addition to investing in transport infrastructure, HSA Group is exploring ways to mitigate these challenges by creating more resilient packaging. For instance, in its ghee and oils business, HSA Group switched to opaque packaging to limit exposure to sunlight that may spoil products, thereby preserving vitamin quality throughout production, storage and transportation stages.

In order to understand how best to meet their unique needs, HSA Group undertakes extensive research into the purchasing and consumption habits of Yemeni consumers. The Group prioritises quality and safety across its products while optimising packaging

○ Access

○ Utilisation

○ Stability

and formulation to maximise affordability in a cash-strapped market.

Moreover, HSA Group's packaging innovations have helped to ensure that products reach their destination without damage to their structural integrity, despite having to travel extended distances over rough terrain. To achieve that, HSA Group has invested significantly both in its R&D capabilities and in its production and manufacturing capabilities, introducing new materials and adapting product lines to meet the needs of consumers.



ADOPTING A PURPOSE-LED APPROACH TO INNOVATION: BOOSTING NUTRITIONAL CONTENT OF KEY STAPLES

○ Utilisation

Across all its operations, HSA Group works proactively to respond to the needs of its customers and consumers. As Yemen faced the growing threat of malnutrition, HSA Group took measures to enhance the nutritional content of its dairy and flour product lines, adding vitamins and micronutrients to essential foodstuffs.

HSA Group has fortified several of its core products in line with guidelines supplied by the WFP and meeting international standards such as the American Standard Test Method Organisation to support the nutritional needs of Yemen's population. This is in line with its commitment to using its innovation capabilities to support Yemeni communities.

This fortification includes:

- Flour: folic acid, zinc, vitamins B1, B2, B3, B12 and vitamin A
- Oil and ghee: vitamins A and D
- UHT milk and instant full cream milk powder: vitamins A and D3
- Noodles: vitamin B2 added; flour for manufacturing purposes fortified with folic acid and iron

By increasing the nutritional content of its products, HSA Group is seeking to maximise the consumption of adequate nutrition and energy in Yemeni communities.

Moreover, as part of its philanthropic activities, HSA Group has partnered with International Flavors and Fragrances (IFF) to support communities in Yemen. On three occasions (2014, 2018 and 2020), HSA Group has distributed Tamara biscuits that were fortified with vitamins and minerals to communities in need across Yemen.

C. Leveraging in-country strengths through a partnership-led model

In order to build a resilient food system in complex operating environments such as Yemen, collective action that integrates the expertise, capacity and skillsets of a range of stakeholders is essential.

A wide range of organisations are involved in the production, processing, distribution, consumption and disposal of food items,⁵⁶ with each one having unique knowledge and ability to navigate the challenges faced across the value chain. All actors within Yemen's food systems are required to tackle potentially insurmountable obstacles, including the economic, humanitarian and logistical barriers outlined earlier in this paper. But by acting in partnership, these stakeholders have an opportunity to simultaneously combine the in-country knowledge, networks and on-the-ground infrastructure of domestic actors, with the know-how and resources of their peers and the international community.

By adopting such a partnership-led approach holistically and strategically across the humanitarian and development response, stakeholders will be well-placed to deliver a programme of tailored solutions that are deeply rooted in the local context and successfully navigate the complex challenges of Yemen's operational environment, humanitarian crisis and economic situation.

HSA Group believes in the power of partnership and has a long history of collaborating with its local and international organisations to respond to the immediate and systemic challenges that Yemeni communities face.

“When you feed 20 million people, you are deeply in bed with the commercial sector. HSA is the main private sector player that does milling, transporting, building in Yemen, responsible for 50% of the private sector action.”

Mr. Richard Ragan,
WFP Country Director, Yemen

“With our first investment in Yemen, we aim to contribute to a continuous and reliable supply of food, in a country with extreme levels of hunger.”

Mr. Huib-Jan de Ruijter,
FMO Chief Investment Officer

CAPITALISING ON EXISTING MANUFACTURING CAPABILITIES TO SUPPORT HUMANITARIAN EFFORTS: THE WORLD FOOD PROGRAMME PARTNERSHIP

○ Availability ○ Stability



The WFP manages one of the largest humanitarian programmes in Yemen, which fed over 13.3 million people each month at its peak. HSA Group is proud to be a long-term partner of the WFP in supporting Yemen's food security over many years and particularly during the humanitarian crisis.

Supporting the WFP's operations on the ground, HSA Group is able to leverage its knowledge of the market and relations with local communities to provide the WFP with the local expertise and facilities needed to support humanitarian programmes designed to combat food insecurity.

HSA Group offers the WFP milling and storage facilities in Yemen and also manufactures supplies for its initiatives. HSA Group mills wheat and packages flour on behalf of the WFP in the country, producing approximately 66% of the organisation's flour in Yemen, amounting to around 340,000 metric tonnes per year. HSA Group also supplied fortified biscuits exclusively to the WFP. The Group produced biscuits for the WFP's school feeding programme and is one of the only organisations in Yemen equipped to manufacture this type of product. The project supported around 140,000 students annually, and produced over 7,300MT of high energy biscuits for the WFP.

Through its partnership with the WFP, HSA Group contributes to one of the largest humanitarian programmes in the world, which reaches millions of Yemenis that are in most need of support.

STRENGTHENING FOOD SECURITY IN YEMEN: THE INTERNATIONAL FINANCE CORPORATION PARTNERSHIP

○ Availability ○ Access ○ Stability ○ Sustainability

In 2021, HSA Group partnered with the International Finance Corporation (IFC) and the Dutch Entrepreneurial Development Bank (FMO) to secure a financing package of a US\$75 million loan for six of HSA Group's leading food manufacturing companies.⁵⁷ The financing package also included a first-loss guarantee of up to 50% from the International Development Association's Private Sector Window.⁵⁸

The IFC's loan enabled HSA Group to support food security in Yemen by financing the procurement of wheat supplies for the Yemeni market at a time of high global prices, in particular during a period of significant global supply disruption in the context of the conflict in Ukraine, and allowed HSA Group to secure inventory on the ground. The loan alleviated some of the pressure on the Group's working capital, caused by overlong cash cycles and difficulty accessing international financing, enabling HSA Group

to adapt to rapidly changing circumstances caused by recent volatility in global commodity markets.

The partnership aligns with the IFC's commitment to advance economic development and improve the lives of people by encouraging the growth of the private sector in fragile and conflict-affected countries. The IFC's financing package has served to enable HSA Group to continue maintaining steady supply of key staples such as wheat, flour, dairy, and sugar to communities and humanitarian programmes by international agencies such as the WFP.⁵⁹ The IFC-HSA Group collaboration also demonstrates the power of partnership, whereby development finance institutions can support sustainable economic growth and resilience in food supply chains through strategic investment in the private sector and use of blended finance mechanisms.

“Our work with Hayel Saeed Anam Group is a prime example of a strategic partnership helping unlock private sector solutions during a humanitarian crisis.”

Mr. Ashruf Megahed,
IFC Regional Industry Head,
Middle East, Central Asia, Türkiye,
Afghanistan & Pakistan



**ESTABLISHING A MULTISTAKEHOLDER PARTNERSHIP:
THE INTERNATIONAL INITIATIVE ON COVID-19 IN YEMEN (IICY)**

555,000

Micro centrifuge tubes

28,000

Virus collection kits

34,000

COVID-19 nucleic acid test kits

372

Infrared non-contact thermometers

6

PCR machines increasing testing capacity by 50,000 per week

10

Centrifuges and associated equipment

As COVID-19 spread across the world in early 2020, HSA Group recognised that, as Yemen's largest private sector organisation, it had to take immediate and impactful steps to protect its employees, customers, and communities against the wide-ranging public health, social and economic impacts of the pandemic.

Given the disruption that the pandemic inflicted on global supply chains and distribution networks within Yemen, it was also evident that COVID-19 posed a further threat to the integrity of Yemen's food systems and a large scale spread of the disease could lead to devastating consequences for Yemen's already vulnerable population.

In addition to swiftly introducing stringent Health & Safety protocols across its factories, HSA Group re-evaluated its manufacturing and distribution facilities to ensure production of essential goods would go uninterrupted. This

enabled HSA Group to continue meeting the needs of communities and supporting food security in the country, despite the ongoing uncertainty.

As the threat of the global pandemic grew, in April 2020, HSA Group took action to call on its long-term partners to support Yemen's response to the spread of COVID-19.

Swiftly, the International Initiative on COVID-19 in Yemen (IICY), a public-private partnership convened by HSA Group and uniting Hayel Saeed Anam Charitable Foundation, Tetra Pak, Unilever, WHO, the UN, the Yemen Private Sector Cluster and the Federation of Yemen Chambers of Commerce & Industry, was established.

Working with the UN and its agencies, the IICY facilitated a number of donations including a total of 43 tonnes of laboratory supplies, ventilators, test kits, PCR machines

“Learning about the work of the International Initiative by COVID-19 in Yemen is quite inspiring given the current situation, and this is a partnership that really captures the energy and resources from the full society”

Mr. Ola Göransson, Sustainable Development Officer, Division for SDGs at UN DESA

and vital PPE, which were distributed to hospitals and laboratories across Yemen. Donations of US\$200,000 and €220,000 to the WHO Solidarity Response Fund by HSA Group and Tetra Pak/Sidel respectively served to fund the salaries of frontline medical workers at a time of national emergency.

By utilising the expertise and resources of IICY's founding members, the partnership sought to make a positive impact that would help to strengthen Yemen's resilience in the long-term and help clinical and scientific experts to respond effectively to COVID-19.

The initiative was recognised as one of the most effective partnerships convened in response to COVID-19 globally by the University of Oxford and the United Nations Department of Economic and Social Affairs (UNDESA).

In addition to contributing to tackling a health emergency, which posed devastating consequences for food systems, the success of IICY demonstrates that partnership models are highly effective in guiding multistakeholder responses to complex crises and can be impactfully applied to other areas, such as food security.

“We welcome this extraordinary public-private partnership whose goal is to serve the people of Yemen. As the United Nations marks its 75th anniversary during an unprecedented global health crisis with severe economic and social impacts, this partnership is an example of how we can work together with the private sector to face humanitarian threats”

Mr. Auke Lootsma, Resident Representative of UNDP in Yemen





6. HSA Group: Responding to Yemen's food security crisis

D. Focusing on long-term solutions

The scale of the food security crisis in Yemen demands a long-term, comprehensive strategy to establish more resilient food systems that provide sufficient and nutritious food for the current population and future generations.

As noted in this paper, there are multiple drivers of food insecurity, such as scarce opportunities for steady employment, under-investment in domestic production, damage to national infrastructure, and the financial isolation of the private sector. While the immediate relief provided by direct philanthropic action and humanitarian programmes is critical to the survival of many Yemenis, without a clear plan of action to address the entrenched issues in Yemen's food systems, such as the country's progressive decline in productive capacity,⁶⁰ the prospects for Yemen's future recovery and achievement of food security are limited. There can be no doubt that

further engagement and action is required from both domestic and international actors, if Yemen is to break its cycle of dependency.

In order to reduce Yemen's reliance on aid and help ensure Yemen's economic and logistical resilience in the long term, HSA Group has embarked on several initiatives which represent an investment in the future of Yemen and improve multiple dimensions of the country's food security.



HSA Group: Responding to Yemen's food security crisis

IMPROVING KEY TRANSPORT LINKS

- Availability
- Access
- Sustainability
- Stability
- Agency

Working across Yemen every day, HSA Group has found that improving regular access to food is as much about ensuring that food supplies are distributed and reach their intended destination, as it is about procuring the foodstuffs in the first instance, particularly

for remote and hard-to-reach communities.

To improve access to, and availability of, foodstuffs across Yemen, HSA Group undertakes road and bridge building and repair projects to improve local infrastructure

and connectivity for members of the communities. These reconstruction projects ensure that supplies reach settlements on time and benefit communities by improving the safety and security of travel.

By repairing roads and exploring alternative logistical solutions, HSA Group aims to keep communities functioning and prevent food becoming concentrated in ports of entry and other cities.

One such example was HSA Group's recent road repair project in Taiz. Due to the closure of the Al Kirsh main road in the south of Yemen, the only means of travelling between the governorates of Taiz, Lahj and Aden was via a steep and narrow backroad. This backroad was in poor condition, prone to flooding, and in places was too narrow for vehicles to pass one another safely. Breakdowns and accidents could leave the road blocked, and drivers stranded for days as they waited for rescue or repairs, along with the cargo they were transporting.

HSA Group funded the road's widening along with numerous other improvements to the foundations, materials, and surface, sometimes operating on incredibly challenging terrain.

HSA Group has repaired and restored 144 roads and bridges in Yemen in projects similar to the resurfacing of the Al Kirsh road. Each of these projects has enhanced the stability of the Group's food distribution and improved access for Yemeni communities. In addition, the project has further helped to support local people, connecting key settlements and providing employment and correspondingly, improving individual agency.



ADDRESSING FOOD AVAILABILITY AND ACCESS BY IMPROVING DISTRIBUTION NETWORK RESILIENCE

- Availability
- Access
- Sustainability
- Stability

As a result of disruption to its infrastructure, Yemen has been exposed to a number of logistical challenges affecting supply chains and the movement of goods. To improve food availability and access, it is essential that these challenges are addressed to ensure goods can be distributed effectively and at a sufficient pace.

To enhance its logistical capabilities, HSA Group is undertaking a major project to redesign its distribution network, putting in place a risk management system with a streamlined network of distribution hubs supported by secure payments infrastructure. The aim of the project is to

ensure that operators can adapt to changing circumstances, making decisions based on real-time data and analytics, whilst ensuring that perishable foods do not spoil before they reach their destination.

The project is designed to deliver a comprehensive implementation plan based on an analysis of HSA Group's supply chain, including assessments of operational risks, transportation costs, potential savings due to an enhanced warehousing network, access to factories and ports and customer centricity.

The project includes major investments to renovate HSA Group's distribution and warehousing network, with the aim of reducing future costs, enhancing the long-term resilience of the organisation's distribution network and increasing access to vulnerable communities in Yemen.

7. Framing the path to prosperity: tackling immediate challenges and building a brighter future for Yemen

Addressing Yemen's food security crisis will require a multi-faceted approach that not only meets the immediate needs of the population but also seeks to create a sustainable and resilient food system and supply chain. It must also be tailored to the unique challenges faced by the nation and deliver long-lasting impact.

Drawing on insights gained through decades of operating in Yemen and partnering with stakeholders across the public, private and third sectors to respond to the challenges that the country faces, HSA Group has devised a series of recommendations designed to inform the strategies and humanitarian and development programmes relevant to the country's food security.

These recommendations include a reframing of the way in which the response to the food security crisis is approached in Yemen; and proposals that are designed to help overcome the immediate challenges and barriers facing Yemen's private sector, as it seeks to increase food security in the country.

These recommendations are informed by three core principles that HSA Group believes ought to shape the approach to planning and implementing humanitarian and development programmes, in the immediate and longer-term.

1. Harness the power of partnership

Yemen is one of the most uncertain operating environments in the world. Multistakeholder partnerships, such as those set out in this paper, have proven to be effective in tackling complex issues in fragile states such as Yemen.

Through local organisations partnering consistently with one another and the international community, the impact of interventions to improve all dimensions of the country's food security will be maximised – spanning availability, access, utilisation, stability, sustainability and agency. The combination of international resources and expertise with local knowledge and established networks has the potential to create a powerful force for change and build more resilient food systems in Yemen that will generate positive socioeconomic outcomes.

2. Adopt a long-term approach to Yemen's food security and development

While humanitarian operations remain essential to meet the short-term needs of Yemeni communities, the uncertainty of annual funding reduces the focus on delivering sustainable and long-term impact.

Establishing long-term programmes can both increase food security and achieve Yemen's developmental goals. Such initiatives must go beyond direct food distribution programmes to include economic empowerment, increasing purchasing power of Yemeni communities and the private sector including smallholder farmers, building capacity and skills in the next generation, developing national infrastructure and investing directly in domestic food production capabilities.

This approach should be deeply rooted in understanding of the local specifics to effectively plan, prioritise and target the response to the most critical structural challenges facing communities on the ground.

3. Enable a shift from aid to trade

Yemen's long-term reliance on humanitarian food aid is unsustainable. While Yemen's private sector has proven its resilience in spite of years of sustained crisis, deep structural challenges that restrict trade, investment and domestic production are holding back economic growth and job creation. Yemen's financial isolation is one of the many obstacles to economic development in the country.

The solution to Yemen's food security crisis does not reside solely in a humanitarian response strategy. It also requires a long-term strategy that stimulates the local economy and approaches investment in a multi-year model that incentivises innovation and market-based solutions, increases private sector's access to finance and international markets, improves the business ecosystem and enhances consumers' purchasing power.

Recommendations

Category of action	Associated solutions and mechanisms
Providing immediate support to the most vulnerable	<ul style="list-style-type: none"> • Harness the extensive reach and established physical and relationship-based networks of private sector organisations in Yemen to maximise the reach and impact of the humanitarian programmes and ensure that immediate support is targeted and directed to the most vulnerable communities. • Continue to fund immediate support mechanisms such as safety nets, cash programmes and repair of critical infrastructure to ensure that minimum levels of food security are maintained. • Facilitate the opening of major roads and thoroughfares to ensure free movement.
Building resilience to local challenges and global shocks	<ul style="list-style-type: none"> • Create trade and import finance mechanisms in collaboration with international financial institutions to enable Yemeni private sector companies, particularly importers, to access foreign currency. • Support Yemeni efforts to bring about economic reform, including capacity building in financial regulation and facilitating constructive dialogue between the country's financial authorities. • Prioritise economic development and domestic production in development initiatives (such as the World Bank's food security response and resilience project).⁶¹ • Increase the purchasing power of Yemeni communities through economic empowerment initiatives and investment in developing entrepreneurial ecosystems. • Promote knowledge sharing and collaboration on R&D amongst Yemeni food manufacturers with their international counterparts to boost nutritional impacts and reduce wastage. • Within the context of the ongoing global food commodity crisis, provide Yemen's wheat importers priority access to wheat supplies in international markets, to ensure that communities at greatest risk of famine or extreme hunger receive sufficient foodstuffs, and that international humanitarian programmes can remain functional. • Formally extend payment terms between Yemeni food importers and their international suppliers through a guarantee by an international organisation or financial institution. • Ensure that any economic intervention in Yemen seeks to address the root causes of currency depreciation as well as implementing interim mitigation mechanisms, such as continuing to improve access to foreign exchange and addressing the dual exchange rate issue.
Leveraging in-country strengths through a partnership-led model	<ul style="list-style-type: none"> • Invite broad private sector participation in and consultation on development and humanitarian initiatives, including representatives from SMEs and smallholder farmers, where relevant to food security. • Where possible, leverage and improve existing infrastructure for projects to maximise domestic economic development impact through job creation and income generation. • Encourage investment in innovation, agri-tech, market-led solutions, and bottom-up initiatives to support smallholder farmers, agriculture, irrigation and food production, and build resilient food systems, enabling Yemeni actors to contribute to the resolution of major local challenges. • Scale-up engagement with Development Finance Institutions and investments in Yemen and explore innovative financial risk mitigation methods (e.g. blended finance, third-party guarantees) with a view to increasing adaptability and resilience, facilitating international joint ventures and strategic partnerships, thus combining local implementation and knowledge with international expertise and resources. • Development Finance Institutions should re-evaluate the risk criteria with which they assess fragile and conflict-affected states like Yemen. By adjusting DFI's expectation of returns, instrument mix and risk tolerances in such situations in line with the private sector organisations present, DFIs would be in a position to utilise more of their allocated capital to scale up successful solutions, strengthen the private sector and stimulate economic activity and recovery.
Focusing on long-term solutions	<ul style="list-style-type: none"> • Adopt a holistic approach to food security in Yemen through programmes and initiatives that tackle the direct and indirect causes of food insecurity. • Enhance all six dimensions of food security, by addressing unemployment, lack of access to farming land and equipment, vulnerability to natural disasters and climate change. • Introduce development initiatives on small-scale economic empowerment to yield positive results for local communities and stimulate SME growth, paving the way to increased agency and economic access. • Invest in removing obstacles that hinder business as usual in Yemen, such as repairing damage to transportation, energy, power and telecoms infrastructure, to ensure a steady flow of goods and services across the country. • Encourage the international development community to shift its approach in Yemen from prioritising aid to facilitating trade by mobilising resources to address trade-related constraints, such as access to finance in global markets. • Create a framework for collective action with a clear focus on addressing structural challenges and immediate risks facing domestic production, improving agricultural productivity, and encouraging investment.

8. Closing remarks

Yemen stands at a critical juncture in its history.

Continued instability domestically, and significant turmoil globally, threaten to create further, unimaginable human suffering amongst Yemeni communities, with prolonged food insecurity likely to have lasting impact for generations. The private sector's ability to respond to the increasingly complex and multidimensional needs of vulnerable individuals and families across Yemen is being tested like never before.

The need for action that tackles the immediate challenges outlined in this paper is self-evident; but it will be the strategies and programmes focused on removing systemic and structural barriers to the achievement of sustainable, resilient food systems that will prove most essential if Yemen is to return to prosperity in the years ahead.

Despite immense challenges domestically, Yemen's private sector organisations have demonstrated their adaptability, resilience and unwavering commitment to standing side by side with the communities they serve. That said, the efforts of Yemen's private sector alone will never be sufficient to stave off further crisis. There can be no doubt that collaborative action from a wider range of stakeholders, and meaningful investment to support Yemen's longer term, sustainable development, is required.

In articulating perspectives on the issues that Yemen faces, setting out the actions that the Group and its partners are undertaking, and providing input to support the development of the long-term strategies that Yemen requires, HSA Group hopes that this paper serves as a helpful contribution to the

multistakeholder efforts underway to halt the progression of the world's worst humanitarian crisis.

HSA Group looks forward to continuing its collaboration with policymakers, humanitarian organisations, and domestic and international private sector actors, in line with its commitment to unlocking the power of partnership; and with an ultimate ambition to honour and help realise the courage, resilience and potential of the Yemeni people.

HSA Group – November 2022



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